

# **REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL ON THE FINANCIAL STATEMENTS OF THE THEEWATERSKLOOF MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2006 (EJ)**

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## **PURPOSE/AIM OF REPORT**

The report of the Auditor-General on the Financial Statements of the Theewaterskloof Municipality for the year ended 30 June 2006 is hereto attached. Comment on the report is reflected in the same numbering as in the report.

## **LEGAL BACKGROUND**

The financial statements have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 126(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

## **DISCUSSION**

The report reflects the position of the Theewaterskloof Municipality as at 30 June 2006.

### **4.1 Fixed assets**

#### **4.1.1 Asset register**

A process plan has already been develop for the implementation of a new Asset Register, which includes bar-coding of all fixed assets which will be physically verified. Processes will also be put in place to ensure timeous updating of new assets and disposals. Funding of the above has been provided under the Municipal Systems Improvement Grant.

#### **4.1.2 Physical asset verification**

A process plan has already been develop for the implementation of a new Asset Register, which includes bar-coding of all fixed assets which will be physically verified. Processes will also be put in place to ensure timeous updating of new assets and disposals

#### **4.1.3 Reconciliation on property valuation**

The reconciliation on property valuation is in process

## 6.1 Non-compliance with laws, rules and regulations

- a) An Oversight report will be prepared when the 2005/2006 Annual Report is tabled in January 2007.
- b) The fixed asset accounting and maintenance policy will be properly implemented as from 1 March 2007
- c) **Human Resource Plan or policy:** The Amalgamation of Municipalities resulted into the fact that there were more than one policy to administer, which made our job very difficult. This became a huge problem for the Employees because, although working for one Employer they were receiving different benefits.

This matter was also discussed at our Local Labour Forum, and it was resolved that we must consolidate our Human Resource Policy and Procedures to ensure unity/parity and effective personnel administration.

This process currently forms part of Project Consolidate and will be addressed before the end of January 2007.

- d) **Staff Establishment:** The Council is in process to update the staff establishment. All the personnel have a job description. The staff have been placed in their current positions. There is remuneration attached to posts.
- e) Performance agreements were not put in place during 2005/2006 as most Directors and the Municipal Manager were in acting positions.
- f) **Supply chain management:** The finding by the Auditor-General has been noted, since the appointment of the Municipal Manager and CFO, the Theewaterskloof Municipality implemented Supply Chain Management from 29 June 2006.
- g) **Tariff policy:** The draft policies has been finalised and will be tabled before Council with the 2007/2008 draft budget in March 2007. The policy is also in line with the Revenue Enhancement and Debt Collection Strategy approved by Council (Resolution C37 of 27 July 2006).

## 6.2 Internal checking and control measures

1. Timely reconciliations between the deposit register and the trial balance will be done on a monthly basis. (Reconciliation and Control Programme) Official already appointed to ensure reconciliation, control and compliance.

2. This matter (Rates reconciliation) is now being seriously addressed as a dedicated official has already been appointed and such reconciliations should be performed monthly. It has also been identified, along with inter alia completeness audits in land sales and other service charges as part of our Revenue Enhancement and Debt Collection Strategy approved by Council (Resolution C37 of 27 July 2006). An implementation Plan has already been drafted and a lot of work has already been carried out.
3. We are in process to develop a fraud prevention/action plan and will be presented during the next audit. Although not in place, continues risk assessments and control reviews are conducted and implemented.
4. Journals are processed in a timely manner.
5. We are in a process to establish a register of contract agreements, and it will be completed by March 2007.

### **RECOMMENDATION**

It is recommended that:

1. The comments from the Management to the report of the Auditor-General on the Financial Statements for the year ended 30 June 2006, be accepted as the comments from Council and accordingly be submitted to the Auditor-General.